



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

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TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: MONITORING OF DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDERS

The Department of Mental Health (DMH) requested revenue and going concern monitoring of its mental health service providers for Fiscal Year 2001-02. We contracted with M. R. Grant, Certified Public Accountants, to do the monitoring.

DMH organizes and administers public mental health services in the County, either directly or through contracts with other County departments and private agencies. DMH service providers are subvented with State and federal funds, which must be used in accordance with applicable laws, regulations, policies and procedures of the funding sources. M. R. Grant reviewed the providers' compliance with State and federal guidelines.

M.R. Grant has completed its monitoring services and has reported the findings of the monitoring activities for each of the 104 service providers selected for review (see Attachment A). Some of the providers have the same parent legal entity name. M. R. Grant monitored 52 legal entities for Fiscal Year 2001-2002. A brief analysis of M. R. Grant's findings by type is shown in Attachment B.

All reports were discussed with DMH representatives and the appropriate service provider. DMH requested a written corrective action plan from all providers that had findings and initiated collection procedures for identified over-billings of \$851,660 from privately operated service providers. However, a few privately operated service providers have appealed the findings, which may affect the final collection amount. M.R. Grant also identified over-billings of \$139,201 from DMH operated service providers. DMH will inform the responsible DMH managers of these identified over-billings and provide them with the respective corrective action plans for monitoring

purposes. We recommend that DMH follow-up to ensure all corrective action plans are received and verify that corrective actions are taken.

Due to the large number of audits completed, copies of the individual reports are not enclosed. If you desire to review any of the reports, please let us know and we will provide them.

JTM:DR:RD

Attachments

c: David E. Janssen, Chief Administrative Officer
Marvin J. Southard, D.S.W., Director, Department of Mental Health
Gurubanda Singh Khalsa, Finance Specialist, Department of Mental Health
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**Department of Mental Health
Schedule of Mental Health Service Providers
Revenue and Going Concern Monitoring by Contract**

Fiscal Year 2001-02

<u>Privately Operated Service Providers</u>	<u>Reported Over-Billings</u>	<u>Material Findings (A)</u>
1. 1736 Family Crisis Center #7111	\$ 195	(2)
2. 1736 Family Crisis Center #7348		
3. AIDS Project Los Angeles, Inc. #7061		
4. Amada Enterprises #0067	136,642	(1)(2)
5. B.R.I.D.G.E.S., Inc. #6844	5,953	(1)(2)(4)
6. B.R.I.D.G.E.S., Inc. #7073		(4)
7. B.R.I.D.G.E.S., Inc. #7074	9,455	(1)(4)
8. B.R.I.D.G.E.S., Inc. #7075	362	(1)(2)(4)
9. B.R.I.D.G.E.S., Inc. #7153	771	(1)(4)
10. B.R.I.D.G.E.S., Inc. #7154		(4)
11. B.R.I.D.G.E.S., Inc. #7243		(4)
12. B.R.I.D.G.E.S., Inc. #7244	4,333	(1)(2)(4)
13. Braswell Enterprises #0058		
14. Braswell Enterprises #0061	7,304	
15. Child and Family Center #7176	11,278	(1)(2)
16. Child and Family Center #7372		
17. Child and Family Center #7413	254	(1)(2)
18. City of Gardena #7020		
19. City of Gardena #7140		(2)
20. Clontarf Manor, Inc. #7230	554	(1)(2)
21. Community Care Center #0035	193,815	(5)(6)
22. Community Counseling Services #6871		
23. Community Counseling Services #7104	572	(7)
24. DHS-LAC/USC Medical Center #1956	50,252	(1)
25. DHS-LAC/USC Medical Center #7351	1,123	(1)
26. Filipino-American Services #7147		
27. For the Child, Inc. #7121		
28. Gateways Hospital & MHC #1982	5,141	(1)

(A) The types of findings are described in Attachment B according to their reference number. Material findings are determined by an error rate of 11% or greater.

<u>Privately Operated Service Providers</u>	<u>Reported Over-Billings</u>	<u>Material Findings (A)</u>
29. Gateways Hospital & MHC #6757	\$ 98	(1)
30. Gateways Hospital & MHC #7412	98	(1)
31. Golden State Health Center #0050	90,290	(2)
32. Golden State Health Center #7214	12,779	(2)
33. Hamburger Home #7221	472	(1)(2)(3)
34. Hamburger Home #7268		
35. Hamburger Home #7281		
36. Hamburger Home #7282		
37. Harbor View Community Services #0054		(8)
38. Harbor View Community Services #7180		(8)
39. Harbor View Community Services #7270	11,021	(1)(8)
40. Health Research Association #6810	5,971	
41. Health View Inc. (Harbor View) #7092		
42. Hillside Home for Children #7231	1,399	
43. Hillside Home for Children #7332		
44. Hillview MHC, Inc. #6758		(9)
45. Hillview MHC, Inc. #6856		(9)
46. Hillview MHC, Inc. #7068	1,690	(1)(9)
47. Hillview MHC, Inc. #7419		(9)
48. Hillview MHC, Inc. #7420		(9)
49. L.A.M.P., Inc. #7134		
50. L.A.M.P., Inc. #7202		
51. Landmark Medical Services #0055	143,236	
52. LA Center for Therapy & Education #7095	2,921	(1)(10)
53. LA Center for Therapy & Education #7394	280	(1)(10)
54. The Los Angeles Free Clinic, Inc. #7203		
55. Meadowbrook Manor #0059		(8)
56. Ocean Park Community Center #7178	197	(2)
57. Portals House #6756		
58. Portals House #6814	2,124	(1)
59. Portals House #7039		
60. Portals House #7108		
61. Portals House #7125	360	(1)
62. Portals House #7152		

(A) The types of findings are described in Attachment B according to their reference number. Material findings are determined by an error rate of 11% or greater.

<u>Privately Operated Service Providers</u>	<u>Reported Over-Billings</u>	<u>Material Findings (A)</u>
63. Portals House #7160	\$	
64. Portals House #7261		
65. San Gabriel Valley Convalescent Hospital #0063		
66. Social Model Recovery Systems, Inc. #7131		(1)(2)
67. Social Model Recovery Systems, Inc. #7293	69	(1)
68. Special Service for Groups, Inc. #7112		
69. Special Service for Groups, Inc. #7124	3,390	(1)
70. Special Service for Groups, Inc. #7186	179	
71. Special Service for Groups, Inc. #7187	283	(1)
72. Special Service for Groups, Inc. #7329	169	
73. Special Service for Groups, Inc. #7362		
74. Special Service for Groups, Inc. #7400		
75. St. Joseph Center #7114	7,405	(1)
76. Star View Adolescent Center #7257	11,885	
77. Star View Adolescent Center #7335	3,235	
78. Star View Adolescent Center #7367	5,415	(1)
79. Telecare Corporation #0056	82,964	
80. Telecare Corporation #0057	26,160	(2)
81. Telecare Corporation #7250		
82. Telecare Corporation #7262		
83. Telecare Corporation #7277		
84. Telecare Corporation #7406		
85. United Cambodian Community, Inc. #7136		(11)
86. W.O.R.C., Inc #7060	9,205	(1)
87. WRAP Family Services #7272	361	
88. WRAP Family Services #7378		
89. WRAP Family Services #7426		
Total Privately Operated Service Providers: \$ 851,660		

<u>DMH Operated Service Providers</u>	<u>Reported Over-Billings</u>	<u>Material Findings (A)</u>
90. Antelope Valley MHC #1904	\$ 15,446	(1)(2)
91. Arcadia MHC #1917	4,911	(1)
92. DMH/DPSS Co-Located Program #7170		

(A) The types of findings are described in Attachment B according to their reference number. Material findings are determined by an error rate of 11% or greater.

<u>DMH Operated Service Providers</u>	<u>Reported Over-Billings</u>	<u>Material Findings (A)</u>
93. Dorothy Kirby Center #1958	\$ 5,178	(1)(2)
94. Edmund D. Edelman Westside MHC #1906	4,437	(1)
95. Hollywood MHC #1909	19,794	(1)
96. LAC-DMH/Older Adult Services #7241	9,253	(1)(2)
97. Long Beach Child & Adolescent Center #1926	9,533	(1)
98. MacLaren Children's Center MH Unit #7094	10,336	(1)
99. Northeast MHC #1914	7,584	(1)
100. San Antonio MHC "Somos Familia" #1939	8,475	(1)
101. San Pedro MHC #1928	15,656	(1)
102. Santa Clarita Valley MHC #1905	13,587	(1)
103. South Bay MHC #1935	7,439	(1)
104. West Central Family MHC #1908	7,572	(1)
Total DMH Operated Service Providers:	\$ 139,201	
Total Service Providers:	\$ 990,861	

(A) The types of findings are described in Attachment B according to their reference number. Material findings are determined by an error rate of 11% or greater.

Analysis of M. R. Grant Findings
Fiscal Year 2001-02

All Providers Classified By Key Areas of Focus

<u>Focus of Test</u>	<u>Test Error Rates</u>					<u>Total</u>
	<u>0%-10%</u>	<u>11%-20%</u>	<u>21%-40%</u>	<u>41%-60%</u>	<u>>60%</u>	
(1) MIS Units Do Not Match Client Files	63	14	19	5	3	104
(2) PFI Form Problems	86	8	4	3	3	104

- (1) "MIS Units Do Not Match Client Files" refers to units of services billed to the County through the Department of Mental Health's (DMH) Management Information System (MIS) that are not supported by appropriate documentation in the client files. For example, the first line in the schedule above indicates that sixty-three out of one hundred four providers did not have material findings related to services billed on the MIS without appropriate documentation in client files. As previously mentioned in Attachment A, material findings are determined by an error rate of 11% or greater. Forty-one providers had error rates of 11% or greater.
- (2) Providers must complete annual Patient Financial Information (PFI) forms for every client receiving service. Eighteen providers had error rates of 11% or greater.

Findings Specific to a Particular Provider or a Few Providers

- (3) Providers must complete a Client Face Sheet before opening a case file on the MIS. One provider did not include client face sheets for approximately 55% of the client files reviewed.
- (4) The accounts receivable general ledger did not equal the subsidiary accounts receivable ledgers.
- (5) One of the provider's former employees/owners received several amounts in excess of \$50,000 after he retired from the company. There was no support for these disbursements, and the auditor received conflicting explanations for the amounts disbursed.
- (6) The provider submitted financial statements that were not audited by an independent CPA.
- (7) There was no indication that the provider reconciles MIS reports to source documents.
- (8) Management did not provide the auditor with required certification and representation letters.
- (9) The auditor noted three executives who received auto and other expense allowances totaling \$1,900 monthly. These allowances were claimed as mileage reimbursements.
- (10) The providers did not give an IRS Form 1099 to physicians who are incorporated and received annual income in excess of \$600.
- (11) The auditor noted that the provider's insurance records were out-of-date as of December 26, 2001.